

Mexico: Open for Business

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www.export.gov/mexico

U.S. Commercial Service Overview

- The U.S. Dept. of Commerce's International Trade Administration has offices throughout the U.S. and in U.S. embassies and consulates in nearly 80 countries staffed with trade professionals to advise and connect U.S. companies with international buyers worldwide.
- In Mexico, the U.S. Commercial Service maintains offices in Mexico City, Guadalajara, and Monterrey.



Snapshot

Population. 112 million

Unemployment. 5.0%

Inflation. 4.4%

Remittances. \$21.2 billion

Exports. \$320 billion (2011) (81% US)

Imports. \$351 billion (2011) (50% US)

Oil exports. \$55 billion

FDI. \$19.44 Billion in 2011 (9.7% increase)

GDP per capita. \$17,040 (2011)

GDP growth. 3.9% in 2011



Key facts

- 11th largest world economy
- 77 percent urban population
- Over 50% population under 25
(avg age of 27)
- Poor and Extreme Poor: 50%
(under USD \$10 per day)
- Transparency: 98th in world
- Competitiveness: 66th in world (behind Brazil and Panama, and ahead of Colombia and Peru)

U.S./Mexico relationship

The North American Leaders Summit

- “A new era of cooperation and partnership”
- “Shared responsibility” in the drug wars

Areas of cooperation

- Narco violence
- Immigration
- Environmental issues
- Commercial



“It is difficult to overstate the depth of ties between our two nations or the extraordinary importance of our relationship. It’s obviously a simple fact of geography that we share a border and we have always been bound together by that geography. But it’s not just that shared border that links us together. It’s also culture, it’s also immigration patterns that have taken place that have become so important. Our economic ties mean that whatever steps that we’re going to take moving forward have to be taken together.”

President Barack Obama
Mexico City, April 16, 2009

U.S./Mexico trade relationship



- Mexico is the United States' 3rd largest trading partner
- Mexico is the 2nd destination of all U.S. exports
- Mexico accounts for roughly 1/8 of all U.S. exports
- 22 American states depend on Mexico as their first or second destination for exports
- More than one billion/day in two way trade
- Nearly 50,000 U.S. small and medium-sized enterprises export to Mexico

Safety and security: A changing environment



- The changing security environment in Mexico can present challenges for some U.S. companies
- Border cities are particularly vulnerable, such as Nuevo Laredo, Juarez, Reynosa, Matamoros, and Tijuana
- Businesses in Mexico are investing more in security for their personnel, facilities
- Visitors need to use common sense and be aware
- State Department Website for Travel Advisories: <http://travel.state.gov/travel>
- Despite security perceptions, foreign investment is booming

Economic challenges in Mexico

- GDP 3.9% in 2011
 - Foreign Direct Investment increasing
 - 18.7 B in 2010, a 16.6% increase from 2009. 19.44 B in 2011. 9.7% increase
- Finding other sources of economic growth (Services, IT)
 - Declining oil production (net oil importer proj. in 2015)
- Building on NAFTA
- Energy cooperation
- Monopolies
- Improving economic competitiveness
- Reducing poverty and inequality
- Fighting organized crime and corruption
- Improving Education
- Labor and migration/people to people



Why export to Mexico?



- Location / Access to Goods/Services/Market in U.S.
- Size, Diversify, and Vast Market
- Shared Culture: Western, Hispanic
- Manufacturing base in various sectors
- Stronger legal protections
- Politically stable
- Macroeconomic stability
- Free Trade

The impact of NAFTA

- World's largest free trade area: 455.4 million people; \$16.9 trillion GDP
- No tariffs on U.S. exports to Mexico
- It clarifies and simplifies rules of trade
- Institution of Dispute Resolution Process
- U.S.-Mexico trade increased 423%: from \$88 billion in 1993 to \$460 billion in 2011.
- Trade has grown faster than the infrastructure
- Mutual Recognition Agreements for testing/certification in some sectors



Border trade initiatives and opportunities

- Mexico has over 5,000 “maquiladoras” (assembly plants); About 60% of maquiladoras are located in border states
- The U.S./Mexico border manufacturing market represents tremendous opportunity for U.S. suppliers into these supply chains.
- Everything from soup to nuts has potential, certain industries such as consumer electronics, household appliances and transportation are strong
- Over 80% of Mexican imports enter via truck through the top five busiest land ports of entry: Laredo, TX, El Paso, TX, Otay Mesa, CA, Hidalgo, TX, and Nogales, AZ
- Even with free trade, product gets held up at the U.S./Mexico border; improper labeling, declared value, etc. CS Mexico can help U.S. companies with shipment problems; Market Research
- CS has staff in Tucson, El Paso, Monterrey and San Antonio who help companies tap into opportunities
- Mexico/China wage gap now only 20%

Best prospects for U.S. importers

Agribusiness Sector

Airport and Ground Support Equipment

Automotive Parts and Supplies

Education and Training Services

Energy Sector

Environmental Sector

Franchising Sector

Housing and Construction

IT Health

Packaging Equipment

Plastics/Resins

Security and Safety Equipment

Technology

Transportation and Infrastructure Equipment

Aerospace and aviation

- Market size in 2011: Estimated imports over USD \$3 billion, exports \$4.5 billion
- Mexico has become the fifth largest supplier of aerospace products to the European Union and the eighth largest supplier for the U.S. market
- Currently over 200 manufacturing facilities and growing (80% manufacturing, 10% maintenance and repair, 10% engineering and design)
- Industry clusters: Monterrey, Chihuahua, Queretaro, Mexicali, and Empalme
 - All major aerospace OEM's have presence in Mexico, but many are increasing their presence within these manufacturing clusters
- AeroExpo, April 2012, Toluca International Airport



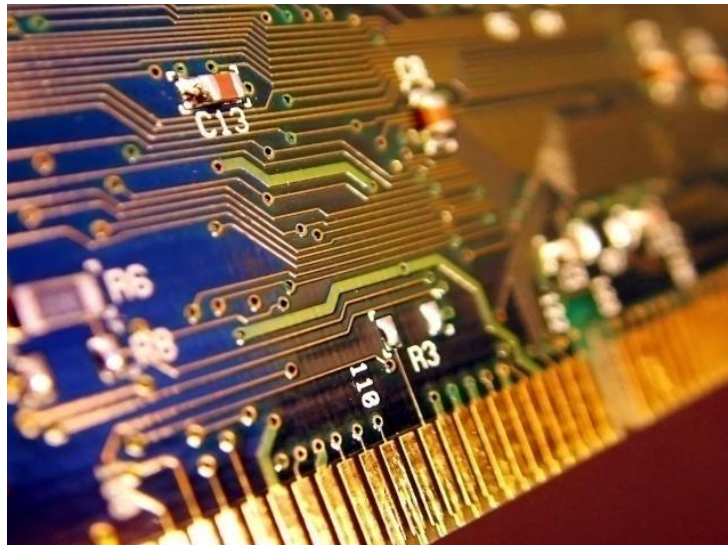
Automotive parts and supplies

- Market size in 2012: 71 Billion dollars
- U.S. has 24 percent of the market share (16.9 Billion dollars)
- General Motors has invested 4.1B in manufacturing facilities in Mexico in past four years
 - Ford and Chrysler also investing heavily in Mexico
- Mexico produced 2.5 million cars in 2011. (79 percent for export market, mostly to U.S.)
- PAACE Automechanika Mexico, July 2012, Mexico City, Dept. of Commerce certified trade show



Technology

- Market size in 2011: 37 Billion dollars
- 33 million people (29.4 percent of population) with internet access (20 percent increase from 2009), almost all of it broadband.
- Telecom dominated by Telmex (90% of fixed lines) and Telcel (80% of cell phones). Both companies owned by Carlos Slim.
- Areas of opportunity include: security solutions, software apps, wireless apps, social networking, cloud computing, business intelligence software, IT healthcare solutions, Green IT solutions



Energy



- Market size in 2011: 10.8 Billion dollars
 - Oil and gas 6.4 B
 - Electric power and renewable: 4.4 B
- Energy production/infrastructure huge priority of PEMEX, CFE state run energy companies (23 B budget in 2011 for new infrastructure projects/maintenance)
- Several upcoming opportunities in natural gas, oil exploration, refineries, electric power generation, and renewable energy (See 2011 Country Commercial Guide for more information)
- Petroleum Exhibition and Conference of Mexico (PECOM) July 2012 in Villahermosa, Dept. of Commerce certified trade show

Renewable energy

- A Renewable Energy and Energy Efficiency Export initiative
 - Wind;
 - Solar;
 - Geothermal;
 - Biomass;
 - Hydropower;
 - And Energy Efficiency.
- Wind Power: State of Oaxaca, La Venta I: Wind Farm with 14 wind power generators, CFE operator
- La Venta II: 94 Wind Power generators, operated by CFE
- Oaxaca I and Oaxaca 2, operated by Ibedrola (Spanish)
- SENER's objective by December 2013 is to increase
- 3.600 mW of Renewable Energy , divided in :
 - Geothermal 490 mW
 - Wind 1,125 mW
 - Biomass 495 mW
 - Minihydraulic 1,120 mW
 - Solar (PV) 370 mW

**This is equivalent to 7 percent of the 51,105 mW of Mexico's installed*



Packaging

- Market size in 2011: 664 million dollars
 - 18 percent of market from United States
- Opportunities include:
 - Cardboard and paper, metal, glass, plastic and wood packaging sectors
- Food processing, pharmaceutical, and cosmetics/personal care products are the primary sectors for packaging sector
- Expo Pack, June 2012, Mexico City



Security

- Market size in 2011: 23.7 Billion dollars
 - Imports from the United States: 6.7 Billion dollars
- Govt procurement opportunities through Mexican Defense Dept. and Navy (local partner strongly recommended)
- Opportunities in:
 - Armored solutions , electronic devices for mobile phones, CCTV, biometric solutions, access control, communication systems, tactical equipment, alarms, among others
- Expo Seguridad, April 2012, Mexico City. Dept. of Commerce certified trade show



Travel and tourism

- Market size in 2010: 14.3 million visitors
- Spent an estimated 9 billion dollars in 2010
- 89 percent travel to U.S. via automobile, 11 percent via air
- Popular destinations: Texas, California, New York, Florida, Las Vegas
- Feria Internacional de Turismo de las Americas (FITA), Mexico City, Sept. 22-25



Regional opportunities: Mexico City

- **Location.** Mexico City, with a population of 20 million, is one of the largest cities in the hemisphere and the world.
- **Capital.** It is both the Political Capital and Financial Center of Mexico.
- **Manufacturing.** It is also a manufacturing and distribution powerhouse.
- **Industrial location.** Centrally located near other major industrial areas including Toluca, Puebla, and Queretaro.



Regional opportunities: Guadalajara, Mexico's "Silicon Valley"

- **Size.** Second largest market in Mexico
- **Business Culture.** Bilingual, open to U.S. goods and services
- **Logistics.** Major distribution center
- **Major Industries.** Electronics, industrial process controls, packaging, agribusiness and food processing equipment
- **Largest Exposition Center in Latin America.** Regional shows
- **Multinational Investors.** GE, IBM, Intel, HP, Flextronics, Jabil, Oracle



Regional opportunities: Monterrey, Mexico's industrial heartland

- **Location.** Strategic location in NAFTA corridor
- **Business Culture.** Bilingual, open to U.S. goods and services. Pro business environment with stable workforce
- **Major Industries.** automotive, household appliances, electronic equipment, packaging, software, specialized medical services, and biotechnology.
- **Other Activities.** 11% of Mexico's total manufacturing output
- **Multinational Investors.** Over 1,800 foreign companies



Manufacturing in Monterrey

- 75% of Mexico's glass containers
- 60% of Mexico's cement production
- 60% of Mexico's synthetic fibers production
- 60% of Mexico's household appliances
- 50% of Mexico's beer production
- 50% of Mexico's ceramics production
- 45% of Mexico's automotive parts
- 40% of Mexico's production of basic steel

Regional opportunities: Tijuana

- **Main manufacturing industries.** Medical, Electronics and Automotive.
- **Sub sectors.** Plastics (injection molding, blow molding, thermal molding, extrusion), Metal-Mechanic and Packaging.
- **Manufacturing companies in the city.** More than 500 in Tijuana (State has approximately 900+)
- **Tijuana Manufacturing workforce.** 160,000 employees.
- **Areas of Opportunity for U.S. Exporters.** Food and beverage, IT, telecomm, construction, medical tourism, energy.
- **Business Culture.** Ease of doing business and affinity to working with American Suppliers -

bicultural and bilingual business people.



Opening doors



- The U.S. Commercial Service Mexico provides U.S. companies unparalleled access to business opportunities around the world.
- As a U.S. Government agency, we have relationships with foreign government and business leaders in every key global market.
- Our trade professionals provide expertise across most major industry sectors.
- Every year, we help thousands of U.S. companies export goods and services worth billions of dollars.

Connecting your company to the right opportunities abroad

- Our experienced trade professionals help you enter international markets in the most efficient, targeted way. We assess your export potential, understand your needs, and provide the right mix of U.S. Commercial Service capabilities to achieve your exporting goals.



Proven expertise to make doing business easier

Whether you are looking to make your first export sale or expand to the Mexican market, we have the expertise you need to tap into lucrative opportunities and increase your bottom line.

- **Trade Counseling.** Get the information and advice you need to succeed.
- **Market Intelligence.** Target the best trade opportunities.
- **Business Matchmaking.** Connect with the right Mexican partners and prospects in Mexico and at major U.S. trade shows.
- **Commercial Diplomacy.** Ensure your products and services have the best possible prospects for success in international markets.

Tip: Market entry strategies

- **Mexican Presence.** The best strategy to enter the Mexican market is to find a local representative or distributor. With this, buyers feel secure that initial training, spare parts and service will be provided.
- **Local or Regional Representative.** Due to regional concentration throughout Mexico, representation locally will yield better results than a single, nation-wide distributor.
- **Price.** Price is important, but not necessarily the deciding factor.
- **Spanish.** Be prepared to provide brochures, catalogs, and printed materials in Spanish. Keep websites international-user-friendly.

Tip: Financing



- **Financing Options.** Expect to negotiate on payment terms. Consider full spectrum of options.
- **Finance Guide.** Review the U.S. Commercial Service's **Finance Guide for Latin America.**
http://export.gov/tradeamericas/eg_ta_030568.asp
- **Know Ex-Im.** Export-Import Bank finances exports through various term loan, guarantee and insurance programs. Ex- Im works through commercial banks in the U.S. and Mexico.



Tip: Logistics

- **Full Spectrum.** U.S.-Mexico trade logistics incorporate the full spectrum of choices: truck, rail, port, and air cargo.
- **Third Party.** Third Party Logistics (3PL's) can help simplify cross-border shipping process.
- **Cost v. Time.** Price of shipping vs. Length of time?
- **Sale Price.** Logistics must be factored into your product pricing!
 - Incoterms / Terms of Sale
 - Agree on logistics before final pricing



Tip: Mexican business culture



Indirectness. Difficulty in saying “no”.

Financing. Expect to negotiate on payment terms. Consider full spectrum of options. Financing options important.

Follow-up. Follow up quickly with your Mexican partner – there is abundant international competition.

Language. Use a qualified interpreter if needed.

Patience. Good things come to those that wait - patience pays off.

Build Relationships. Personal relationships valued.

Real results

- In 2011, Commercial Service Mexico helped U.S. companies secure 510 distinct export sales worth over \$1.3 billion in bookable business for American companies, including small and medium size firms for the last fiscal year. CS Mexico generates \$421 in U.S. exports to Mexico for every taxpayer dollar it receives.

